

STATE OF SOUTH CAROLINA

(Caption of Case)

Application of Harbor Island Utilities,
Incorporated for Approval of a New
Schedule of Rates and Charges for Water and
Sewer Service Provided to Residential and
Commercial Customers in Harbor Island,
Beaufort County

187974
BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET

NUMBER: 2007 - 243 - WS

(Please type or print)

Submitted by: J. Thomas Mikell

SC Bar Number: 3967

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NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously

☐ Other:

INDUSTRY (Check one)

- ☐ Electric
☐ Electric/Gas
☐ Electric/Telecommunications
☐ Electric/Water
☐ Electric/Water/Telecom.
☐ Electric/Water/Sewer
☐ Gas
☐ Railroad
☐ Sewer
☐ Telecommunications
☐ Transportation
☒ Water
☐ Water/Sewer
☐ Administrative Matter
☐ Other: _____

NATURE OF ACTION (Check all that apply)

- | | | |
|--|--|--|
| <input type="checkbox"/> Affidavit | <input type="checkbox"/> Letter | <input type="checkbox"/> Request |
| <input type="checkbox"/> Agreement | <input type="checkbox"/> Memorandum | <input type="checkbox"/> Request for Certification |
| <input type="checkbox"/> Answer | <input type="checkbox"/> Motion | <input type="checkbox"/> Request for Investigation |
| <input checked="" type="checkbox"/> Appellate Review | <input type="checkbox"/> Objection | <input type="checkbox"/> Resale Agreement |
| <input type="checkbox"/> Application | <input type="checkbox"/> Petition | <input type="checkbox"/> Resale Amendment |
| <input type="checkbox"/> Brief | <input type="checkbox"/> Petition for Reconsideration | <input type="checkbox"/> Reservation Letter |
| <input type="checkbox"/> Certificate | <input type="checkbox"/> Petition for Rulemaking | <input type="checkbox"/> Response |
| <input type="checkbox"/> Comments | <input type="checkbox"/> Petition for Rule to Show Cause | <input type="checkbox"/> Response to Discovery |
| <input type="checkbox"/> Complaint | <input type="checkbox"/> Petition to Intervene | <input type="checkbox"/> Return to Petition |
| <input type="checkbox"/> Consent Order | <input type="checkbox"/> Petition to Intervene Out of Time | <input type="checkbox"/> Stipulation |
| <input type="checkbox"/> Discovery | <input type="checkbox"/> Prefiled Testimony | <input type="checkbox"/> Subpoena |
| <input type="checkbox"/> Exhibit | <input type="checkbox"/> Promotion | <input type="checkbox"/> Tariff |
| <input type="checkbox"/> Expedited Consideration | <input type="checkbox"/> Proposed Order | <input type="checkbox"/> Other: _____ |
| <input type="checkbox"/> Interconnection Agreement | <input type="checkbox"/> Protest | |
| <input type="checkbox"/> Interconnection Amendment | <input type="checkbox"/> Publisher's Affidavit | |
| <input type="checkbox"/> Late-Filed Exhibit | <input type="checkbox"/> Report | |

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LAW OFFICE OF
J. Thomas Mikell, PC

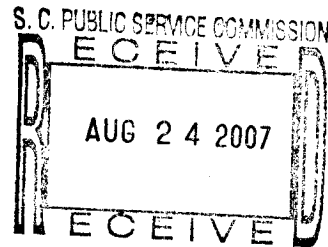
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14 PROFESSIONAL VILLAGE CIRCLE
BEAUFORT, SOUTH CAROLINA 29907

August 22, 2007

**Mr. Charles Terreni
Chief Clerk
Public Service Commission of South Carolina
P.O. Drawer 11649
Columbia, SC 29211**



**Re: Harbor Island Utilities, Inc.
Rate Case Docket No. 2007-243-W/S**

Dear Mr. Terreni:

On June 26, 2007, Harbor Island Utilities, Inc. submitted to the Public Service Commission of South Carolina application to for approval of a new schedule of rates and charges for water and sewer service provided to residential and commercial customers in Harbor Island, Beaufort County.

During the early review of the application by the Office of Regulatory Staff, we found things that needed to be updated or corrected. Accordingly, Harbor Island Utilities, Inc. hereby submits an original and ten copies of a revised application for consideration by the Public Service Commission of South Carolina.

Please let me know if you need any additional information.

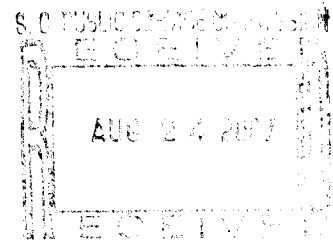
Sincerely,


J. Thomas Mikell

Attachments

Revised application – original and ten copies
Copy
Office of Regulatory Staff (with four copies of the Application)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA



IN RE: Application of Harbor Island Utilities,)
 Inc. for approval of a new schedule of)
 rates and charges for water and sewer)
 service provided to residential and)
 commercial customers in Harbor Island,)
 Beaufort County, South Carolina)

RATE
APPLICATION

Harbor Island Utilities, Inc. (hereinafter "Utility") would respectfully show
unto this Honorable Commission:

1. That it is a corporation organized and existing under the laws of the State of South Carolina and is a public utility within the meaning of the South Carolina statutes.
2. That this application is for approval of a new schedule of rates and charges for water and sewer services provided to residential and commercial customers within the Utility's service area.
3. Applicant is presently providing service to Four hundred thirty-nine (439) residential and commercial customers as of October 31, 2006, under a schedule of rates and charges approved by the Commission in Order No. 2002-866, Docket No. 2002-239-W/S dated December 23, 2002 for water and sewer.
4. That because of increased operating expenses, required installation of tertiary effluent filter and required effluent line replacement along U.S. Highway 21 due to a bridge replacement constructed by the S.C. Department of Transportation, applicant must increase its rates and charges; and, respectfully submits, pursuant to S.C. Code Ann. S58-5-240 (1976), the attached new schedule designated as Appendix F of this application and incorporated herein by reference, which would have produced additional revenues of \$30,894 for water service and \$57,592 for sewer service based on the twelve-month period ending October 31, 2006. Applicant is

informed and believes that such schedule is just, lawful and reasonable and should be approved.

5. All correspondence and other communications related to this application should be addressed to:

R. Arnold Ellison, Jr.
Ellison Consulting, LLC
23 Long Marsh Lane
Hilton Head, SC 29928
(843) 671-2748

Robert G. Gross, President
Harbor Island Utilities, Inc.
P.O. Box 1028
Beaufort, SC 29901-1028
(843) 982-0405

J. Thomas Mikell, Esq.
P.O. Box 1727
Beaufort, SC 29901
(843) 524-2110

6. Attached thereto and incorporated by reference are Sections 1-3 inclusive, with appendix based on the proposed twelve-month test year ending October 31, 2006, required by the Commission's Rules and Regulations, Section R. 103-512.4 and R.103-712.4.

WHEREFORE, having fully set forth its petition, applicant prays that this Honorable Commission inquire into the matters set forth herein and that it approve the attached new schedule filed by the applicant herein.

J. THOMAS MIKELL, Esq.

By: _____
J. Thomas Mikell
Attorney for Harbor Island Utilities, Inc.

HARBOR ISLAND UTILITIES, INC

RATE ADJUSTMENT APPLICATION TO THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

JUNE 2007

HARBOR ISLAND UTILITIES, INC.
RATE ADJUSTMENT APPLICATION
TO THE
PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
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SECTION 1
HARBOR ISLAND UTILITIES, INC
RATE APPLICATION
STATEMENT OF JUSTIFICATION FOR
RATE INCREASE

On March 14, 1984, the Public Service Commission of South Carolina (PSCSC) recognized Harbor Island Utilities, Inc. (HIU) as a private water and sewer utility, set its service area as Harbor Island, and approved water and sewer rates. In 1985 the owner of the utility filed for bankruptcy under Chapter 11 of the Federal Bankruptcy laws, and as a result, sold the sewer system and assets to a third party. The stock of HIU with its water system assets was then sold to Community Services Management, Inc on July 14, 1986.

On January 19, 1995 the PSCSC approved the purchase of the sewer assets by HIU, and that recombined the water and sewer systems into one utility. Water and sewer rates have been adjusted in 1998 and again in December 2002.

Operating the water and sewer systems under the currently approved rates has failed to provide an adequate or reasonable operating margin for the past two years. For FY-05 the net revenues over expenses were (\$9,653) while the net revenues over expenses for FY-06 were (\$77,585).

HIU purchases potable water from the Beaufort-Jasper Water & Sewer Authority (BJWSA) at a wholesale rate and sells it at a retail rate. It also has to pay the Fripp Island Public Service District (FIPSD) a transportation fee for use of its water main between the BJWSA main on St. Helena Island and Harbor Island. Since the last rate adjustment in 2002, BJWSA has raised its wholesale rate by 16.85 percent. FIPSD also has increased its transportation fee since the last rate increase by 12.5 percent.

Since the last rate increase the South Carolina Department of Transportation (SCDOT) has constructed a new bridge on U.S. Highway 21 crossing Johnson Creek. This required HIU to pay for the relocation of its 6-inch main that transports treated wastewater from Harbor Island to Fripp Island for disposal on a golf course. The utility also has provided tertiary treatment of the wastewater to meet the effluent limits for spray irrigation on the Fripp Island golf course. For these reasons this

application for water and sewer adjustments has been prepared for submission to the PSCSC for its approval.

The number of customers for the twelve months following the test year is expected to grow at a rate of roughly one per month to a total of four hundred and fifty-one (451).

SECTION 2

HARBOR ISLAND UTILITIES, INC.

DETAILED COST JUSTIFICATION FOR PROPOSED RATES

HIU provides potable water and sewer service to the residents and commercial establishments on Harbor Island. The Utility purchases the potable water from BJWSA at a wholesale rate, and sells it to Harbor Island customers at rates approved by the PSCSC. Sewer service is provided by a sewage collection system and treatment plant located on Harbor Island.

A significant portion of the water and sewer system were constructed by the developer of the community and then contributed to the Utility at no cost. Thus, there is little investment in the Utility by the stockholders. In all rate cases for HIU, the PSCSC has used an "operating margin" as the basis for evaluating the requested water and sewer rates. Operating margin is determined by dividing the net income after depreciation by the gross income. The operating margin is used to pay principal on any borrowed monies, to build reserves for emergencies and to provide a reasonable profit to the stockholders. The operating margin for this Utility that was allowed by the PSCSC in 2002 was 15.5% for water service and 16.5% for sewer service.

The operating revenues and expenses for the most recently completed fiscal year (FY-06) are shown in Appendix A. After adjustment a net loss of \$42,431 from a gross income of \$345,839 gave a negative operating margin of (12.3%).

WATER RATES

Water rates are set to cover two types of costs: fixed and variable. The fixed costs are those expenses incurred regardless of the number of customers served, while the variable costs are expenses that increase as the number of customers increases. Examples of fixed costs are repairs to water mains, property taxes, or legal and audit fees; while variable costs are purchases of water and electricity.

Table 1 shows the actual fixed and variable costs incurred in FY-06 and adjustments to each category to reflect current year expenses

Base Rate

The base or minimum rate should cover the fixed costs related to the administration, operation and maintenance, and depreciation of the water system. In addition to these costs, an operating margin is justified to provide cash reserves and some profit to stockholders. From Table 1, these fixed costs are identified using actual expenses from FY-06 (the test year). Since there is more administrative expense related to the water system operation as compared to the sewer system operation, the administrative expenses have been split 65 percent to the water system and 35 percent to the sewer system.

The income required to provide a 15 percent operating margin after adjustments are made to the test year is:

Administration – 65%	\$32,669
Operations & Maintenance	38,057
<u>Operating Margin – 15%</u>	<u>11,867</u>
Income	\$83,207

For a customer base of 439, the base rate to provide an annual income of \$83,207 is \$15.79 per month.

Commodity Rate

The commodity rate is a function of the variable costs required to provide potable water to the customers. For FY-2006 HIU purchased 40.346 million gallons but sold only 33.484 million gallons for a loss of 6.484 million gallons or 16%. Based on PSCSC acceptable accountability of 90%, the utility should have purchased 37.204 million gallons. For FY-07 BJWSA's rate is \$2.15 per 1,000 gallons and the FIPSD's transport fee is \$0.27/1,000 gallons, for a total cost of \$2.42/1,000 gallons.

TABLE 1
ACTUAL OPERATING EXPENSES & ADJUSTMENTS
FY -2006

Revised 8/2/07

	FIXED COSTS	ADJ	* FIXED COSTS	VARIABLE COSTS	ADJ	* ADJUSTED VARIABLE COSTS	TOTAL COSTS	ADJUSTED TOT COSTS
ADMINISTRATION								
Acct & Tax Return	4,864		4,864			-	4,864	4,864
Bad Debt	258		258			-	258	258
Bank Charges	360		360			-	360	360
Donations	100		100			-	100	100
Interest Paid to RAE	18,426	(18,426) (1)	-			-	18,426	-
Interest Paid to BG	614		614			-	614	614
Insurance	2,370		2,370			-	2,370	2,370
Safe Water Fee	2,124	(2,124) (2)	-			-	2,124	-
Legal Fees		1,000 (3)	1,000			-	-	1,000
Licenses & Permits	400		400			-	400	400
Line Location Svcs			-	5,747		5,747	5,747	5,747
Management Fees	25,701		25,701	12,659		12,659	38,360	38,360
Postage & Freight	100		100	1,873		1,873	1,973	1,973
Printing	990		990			-	990	990
Rate Case	1,000	5,000 (4)	6,000			-	1,000	6,000
Taxes, Income	2,842		2,842			-	2,842	2,842
Taxes, Property	12,415	(8,858) (5)	3,557			-	12,415	3,557
Telephone	1,104		1,104			-	1,104	1,104
Total Admin Expenses	73,668	(23,408)	50,260	20,279	-	20,279	93,947	70,539
WATER SYSTEMS OPERATIONS								
Auxiliary Generator	944		944			-	944	944
Bldg & Grounds	1,373		1,373			-	1,373	1,373
Controls & Instruments	583		583			-	583	583
Depreciation - Water	2,125		2,125			-	2,125	2,125
Electricity			-	5,853		5,853	5,853	5,853
Field Supplies			-	4,773		4,773	4,773	4,773
Operator Services	2,536		2,536	10,144		10,144	12,680	12,680
Pumps & Motors			-	10,239		10,239	10,239	10,239
Small Tools	180		180			-	180	180
Mains & Hydrants	22,956		22,956			-	22,956	22,956
Meter Fee Paid to FIPSD	4,344	(4,344) (6)	-			-	4,344	-
Meter Installation	4,887	(1,152) (7)	3,735			-	4,887	3,735
Meter Repair			-	1,083		1,083	1,083	1,083
Water Quality Monitoring	300		300			-	300	300
Water Tank	3,325		3,325			-	3,325	3,325
Total Water Expenses	43,553	(5,496)	38,057	32,092	-	32,092	75,645	70,149
SEWER SYSTEM OPERATIONS								
Bldg & Grounds	1,403		1,403			-	1,403	1,403
Backflow Prevention	100		100			-	100	100
Chemicals	619		619			-	619	619
Chlorination System	1,553		1,553			-	1,553	1,553
Controls & Instruments	180		180			-	180	180
Depreciation - Sewer	13,087		13,087			-	13,087	13,087
Effluent PS & Force Main	5,824		5,824			-	5,824	5,824
Effluent Monitoring	4,130		4,130			-	4,130	4,130
Effluent Disposal (FIPSD)	2,741		2,741			-	2,741	2,741
Electricity	17,793		17,793			-	17,793	17,793
Field Supplies	15		15			-	15	15
Gravity Mains	592		592			-	592	592
Interest on Debt	12,749	623 (8)	13,372			-	12,749	13,372
Operator Services	25,680		25,680			-	25,680	25,680
Secondary Trt Plant	30,550		30,550			-	30,550	30,550
Pump Stations	26,910		26,910			-	26,910	26,910
Sludge Disposal	11,244		11,244			-	11,244	11,244
Small Tools	1,035		1,035			-	1,035	1,035
Water	853	(131) (9)	722			-	853	722
Total Sewer Expenses	157,057	492	157,549			-	157,057	157,549

* See explanations for adjustments on next page.

Adjustments for Table 1:

1. Interest paid to RAE is for treasury stock that is not included in the rate case.
2. Safe Water Fee is collected for and paid to SCDHEC. Not a part of the rate base.
3. Legal fees paid for last rate case divided by three years.
4. Fees paid to Ellison Consulting for preparation of rate case.
5. Property Taxes – test year includes property taxes paid for 2002-2005, reduce expense by \$8,858.
6. \$543.00 was paid to FIPSD for each water tap installed. This expense is covered by water tap fees.
7. Water meter installation costs of \$4,887 plus fees paid to FIPSD totaling \$4,344 are subtracted from water tap fees collected were \$5,496 leaving a net expense of \$3,735.
8. Interest on debt varies with change in prime rates. Current rate is “prime + 0.5%”.
9. Water used at sewage treatment plant recorded based on actual water used.

For this case the required income to provide 37.204 million gallons of water will be:

Administration – 65%	\$13,181
Operations & Maintenance	32,092
Water Purchase (37.204mg @ \$2.42/kgal)	90,034
<u>Operating Margin – 15%</u>	<u>23,878</u>
Income	\$159,185

The cost to provide potable water to its customers during the test year was \$4.75 per 1,000 gallons (\$159,185/33.484mg).

Proposed Water Rates

For a new base rate of \$15.79 per month plus a commodity charge of \$4.75 per 1,000 gallons the gross revenue for the test year would have been:

Base Rate (439 customers @ \$115.79/mo)	\$83,182
Commodity (33.484 mg @ \$4.75/1000gal)	159,049
Gross Income	<u>\$242,231</u>

Based on the adjustments made to the operating expenses for the test year, as shown in Table 1, the total expenses would have been:

Administration – 65%	\$45,850
Operations & Maintenance	70,149
Water Purchase	90,634
Total Expenses	<u>\$206,033</u>

The net operating income would have been \$36,198 providing an operating margin of 14.9%.

It is noted that the calculated base rate of \$15.79 per month is less than the currently approved rate of \$16.12 per month, while the commodity rate of \$4.75/1000 gal is significantly greater than the currently approved rate of \$3.60/1000 gal. By maintaining the base rate near \$16.12, say \$16.20, the commodity rate can be lowered to an amount less than \$4.75/1000 gal. For example:

A base rate of \$16.20/mo for 439 customers equals \$85,340 and that will require the commodity rate to produce \$156,891 in revenue. This amount divided by the water sold (33.484mg) equals \$4.68/1000 gallons or,

For a base rate of \$19.00/mo the revenue will be \$100,092 requiring a commodity rate of \$4.24/1000 gal to provide the balance of \$142,139.

However, if the commodity rate is retained at \$3.60/month, thus generating \$120,542, the base rate would have to be \$22.88/month in order to generate the balance of \$121,689.

It is recommended that the new rates be:

Base Rate	\$19.00/mo
Commodity Rate	\$4.06/1000 gal

The proposed rates are for standard 3/4 inch and 1 inch water meters.

Customers using larger meters should continue to pay a larger base rate to cover the added instantaneous demand they place on the water system. The differential in the recommended rates for the larger meters are consistent with the current rates as shown.

Base Rates for Residential Customers

<u>Meter Size</u>	<u>Current Base Rate</u>	<u>Proposed Base Rate</u>
3/4"	\$16.12/mo	\$19.00/mo
1"	\$18.00/mo	\$21.00/mo
1 1/2"	\$24.00/mo	\$26.50/mo

Base Rates for Commercial Customers

<u>Meter Size</u>	<u>Current Base Rate</u>	<u>Proposed Base Rate</u>
3/4"	\$21.75/mo	\$24.00/mo
1"	\$24.25/mo	\$27.00/mo
1 1/2"	\$32.00/mo	\$33.00/mo

Base Rate for Irrigation Customers

<u>Meter Size</u>	<u>Current Base Rate</u>	<u>Proposed Base Rate</u>
3/4"	\$16.12/mo	\$19.00/mo
1"	\$18.00/mo	\$21.00/mo
1 1/2"	\$24.00/mo	\$26.50/mo

Fire Hydrant Usage

Water often is needed to jet pilings into the ground for foundations, or to fill storage tanks. For such requests, it is necessary to install a hydrant meter to determine the usage. The cost of installing the hydrant meter and handling the administration is approximately \$65.00 while the water usage should be charged at the commodity rate, \$4.06/1000 gallons. For control it is best to collect a user fee of approximately \$75.00 before the water is used and then refund any balance. By reading the hydrant meter before and after usage, the charges are calculated and deducted from the advance payment with a

refund of the balance made to the user. This procedure is consistent with the procedure used for the currently approved rates. The proposed rates are:

	<u>Current Rate</u>	<u>Proposed Rate</u>
Installation Charge	\$50.00	\$65.00
Advance Payment	\$50.00	\$75.00
Commodity Charge	\$3.60/1000 gal	\$4.06/1000 gal

Purchased Water Adjustment

HIU purchases its potable water from BJWSA. The water is transported through a pipe owned by FIPSD. Whenever BJWSA increases the price of water sold to HIU, the price is raised pursuant to the water purchase agreement between HIU and BJWSA. Whenever FIPSD raises its fee to transport the water to HIU, the price is increased pursuant to the water transportation agreement between HIU and FIPSD.

Accordingly, whenever there is a price adjustment for the purchase or transportation of potable water to HIU by BJWSA or FIPSD, the following adjustment shall be made by HIU to its customer rates:

1. Billing Adjustment

In the event that BJWSA or FIPSD adjusts (whether an increase or decrease) the unit price per 1,000 gallons the following will apply:

- a. If the unit price is adjusted, the cost per 1,000 gallons will be passed through at cost to the customers as an adjustment to the consumption charge on their water bills.

Example: The unit price of purchased water is increased by two cents per 1,000 gallons. The consumption charge on the customer's bill would reflect a two cent per 1,000 gallon increase.

2. Notification

No special billing adjustments shall be billed until the following conditions are met:

- a. HIU shall furnish the PSCSC satisfactory proof of the basis for the adjustment and the billing method to be utilized at least sixty (60) days prior to its proposed effective date.
- b. HIU shall furnish written notice to the customers affected by the adjustment thirty (30) days prior to its proposed effective date and shall inform them of the effective date.

Administrative set-up fee

HIU will charge a fee of \$25.00 to set up an account for a new customer. Only one set-up fee of \$25 shall apply if both a water and a sewer account are set up at the same time.

Administrative and legal fees for delinquent accounts

Delinquent Notification Fee - A fee of \$10 shall be charged each customer to whom HIU mails a notice of discontinuance of service as required by the PSCSC rules prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customer creating that cost.

Returned Check Charge (NSF) -- State statute allows a \$30.00 recovery of NSF checks. All returned check accounts will be assessed the NSF fee allowed by the SC Code of Laws §34-11-70(A)(3).

Previously Approved Rates

The rates previously approved by the PSCSC include:

Reconnection Fees

- | | |
|---|---------|
| 1. Disconnect/Reconnect at Customer Request | \$50.00 |
| 2. Disconnect/Reconnect for Non-payment | \$50.00 |

Advance Payment

- | | |
|---------------------------------------|----------|
| 1. For Water Used During Construction | \$100.00 |
| (Paid with tap fees) | |

Tap Fees

Single Units

5/8" & 3/4" meter	\$687.00
1" meter	\$1,037.00
1½" meter	\$1,187.00
2" meter	\$2,187.00

Master Meter for Multiple Units

1" - 2" meter	\$687 per unit
Greater than 2" meter	\$500 per unit

SEWER RATES

Recent Capital Improvements

HIU pumps treated wastewater from the treatment plant on Harbor Island to Fripp Island for disposal on a golf course. The treated effluent is pumped through a 6-inch pipe that crosses two bridges between Harbor Island and Fripp Island. In 2005-2006 the SCDOT replaced one of the bridges that required the relocation of the 6-inch main, which was attached to the Johnson Creek Bridge. After comparing cost estimates, the utility elected to use directional boring of the pipe below Johnson Creek at a cost of \$84,013.14.

In addition to this main relocation, the utility was required by the FIPSD to upgrade the treatment of the wastewater to be compatible with its tertiary treatment of the FIPSD treatment plant. This task was accomplished in 2006 by adding a tertiary treatment process at a cost of \$92,400.86.

A portion of these two capital improvements was funded by a \$160,000 loan from Palmetto State Bank in Beaufort, SC. The loan is payable over 180 months with a balloon payment on the 60th month. Interest rate is variable at prime plus 0.5%. Interest paid over 9 months in FY-06 was \$8,889.59, while the projected interest for FY-07 is \$13,372.47.

Flat Rate

Historically sewer service has been provided to the residential and commercial customers on Harbor Island at a fixed monthly rate. Since Harbor Island is predominately a second home community, it is recommended that the utility continue with a fixed rate so that even cash flow will correspond with the essentially even operating expense.

From Table 1 the adjusted annual expenses for the test year are:

Administration – 35%	\$24,689
Operation & Maintenance	157,549
Total	\$182,238

With an operating margin of 15%, the required annual income is \$214,398 ($\$182,238/0.85$). For the 419 residential customers and the 6 (six) commercial customers, the average sewage cost per sewer customer is \$42.04 per month, propose using \$39.00/month.

Compared to the present rate of \$27.50/month the proposed rate of \$39.00/mo represents a 41.8% increase. It should be pointed out that the depreciation and loan interest for the recent capital

improvements increased the annual expense by \$26,459. This represents \$5.19/month of the overall rate increase of \$11.50/month, or 45% of the rate increase.

As in the past, the commercial customers should be charged a sewer rate in proportion to residential rates using SCDHEC schedule for wastewater load allocation. With a residential load allocation of 300 gpd, commercial rates should be:

<u>Customer Type</u>	<u>Load Allocation</u>	<u>Factor</u>
Residential	300 gpd	1.0
Restaurants	30 gpd/seat	0.1 x no. of seats
Retail	200 gpd/1,000 sq. ft.	0.67 x no, 1,000 sq. ft.
Office	25 gpd/employee	0.83 x no. employees

Tap Fees

There is no request to change the currently approved sewer tap fees. The approved rates are:

Residential	\$500.00
RV & Trailer Park	\$250.00/pad
Commercial Water supplied through 1" - 1½" meter	\$850.00

Administrative set-up fee

HIU will charge a fee of \$25.00 to set up an account for a new customer. However, there will be no new account set up fee for a sewer customer if a new water account is set up at the same time and the new account fee is charged for the water account.

Administrative and legal fees from delinquent accounts

Delinquent Notification Fee - A fee of \$10 shall be charged each customer to whom the company mails a notice of discontinuance of service as required by the PSCSC rules prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customer creating that cost. HIU may charge a delinquent notification fee to cover the clerical and mailing costs associated with mailing delinquent notices.

Returned Check Charge (NSF) – State statute allows a \$30.00 recovery of NSF checks. All returned check accounts will be assessed the NSF fee allowed by the SC Code of Laws §34-11-70(A)(3).

Effluent Storage/Disposal Agreement

HIU pumps its treated effluent approximately five miles to FIPSD. FIPSD charges HIU an effluent storage fee based on its actual costs. Whenever FIPSD raises its fee to store HIU's effluent, the price is increased pursuant to the effluent storage agreement between HIU and FIPSD.

Accordingly, whenever there is a price adjustment for the storage of effluent to HIU by FIPSD, the following adjustment shall be made by HIU to its customer rates:

1. Billing Adjustment

In the event that FIPSD adjusts (whether an increase or decrease) the unit storage price per 1,000 gallons, the following will apply:

- a. If the unit price is adjusted, the cost per 1,000 gallons will be converted to a cost per 9,000 gallons, which is the monthly average flow per household, and will be passed through at cost to the customers as an adjustment to the flat charge on their sewer bills.

Example: The unit price of effluent storage is increased by one cent per 1,000 gallons. The consumption charge on the customer's bill would reflect a flat increase of 9¢ per month.

- FIPSD increase = 1¢/1000 gallons increase = 0.001¢/gallon
- Normal household use = 300 gallons per day x 30 days = 9,000 gallons per month
- Increase to customers = 0.001¢ x 9,000 = 9¢ per month

2. Notification

No special billing adjustments shall be billed until the following conditions are met:

- a. HIU shall furnish the PSCSC satisfactory proof of the basis for the adjustment and the billing method to be utilized at least sixty (60) days prior to its proposed effective date.
- b. HIU shall furnish written notice to the customers affected by the adjustment thirty (30) days prior to its proposed effective date and shall inform them of the effective date.

REVENUES

Actual revenue collected for the test year totaled \$345,192. Table 2 shows adjustments made to individual items that in general are not related to the rate base. The adjusted revenue total is \$345,839.

Table 2 Harbor Island Utilities, Inc Actual Revenues & Adjustments FY - 2006					Revised 8/2/07
Type Revenue	Per Books	Pro Forma Adjustment	Adj No	After Adjustment	
Water Sales	201,800	5,687	(1)	207,487	
Sewer Revenue	134,998	2,722	(1)	137,720	
Safe Water Fee	2,109	(2,109)	(2)	-	
Late Charges	633			633	
Sewer Tap Fees	4,500	(4,500)	(3)	-	
Water Tap Fees	1,152	(1,152)	(3)	-	
Total Revenue	345,192	648		345,839	

Adjustments:

(1) Water Sales & Sewer Service - To adjust water & sewer revenue to correspond with monthly billings for test year. (See Table 3)

(2) Safe Water Fee - To remove fee required to be collected for, and paid to DHEC.

(3) Tap Fees - To remove water and sewer tap fee revenue from total revenues for rate making purposes. The actual cost for the water and sewer taps, up to the tap fees collected, are removed from the expenses.

An analysis of the water used by each class of customer during the test year is presented in Table 3. Based on the currently approved rates, the actual water service revenues collected during the test year totaled \$201,799.97 and the sewer revenues totaled \$134,997.79. The model for the water service projects revenues for the current rates at 102.8% of the actual revenues while it projects the sewer services revenues at 102.7% of the actual revenues collected.

Using this model, to determine revenues using the proposed water and sewer rates for the test year, Table 4 shows that the water revenues would have been \$238,380 while the sewer revenues would have been \$195,312.

TABLE 3
HARBOR ISLAND UTILITIES, INC.
WATER USE ANALYSIS FOR FY-06

	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	TOTAL
Residential Customers														
No. Customers - 3/4"	423	423	423	423	423	423	428	428	431	431	431	430	430	
Total Gallons	2,101,340	1,370,420	1,114,613	1,337,000	1,842,750	1,842,750	2,160,960	2,705,960	4,346,430	4,016,540	2,753,020	2,429,960	2,429,960	27,364,213
Revenue	\$ 14,363.56	\$ 11,752.27	\$ 10,831.37	\$ 11,631.96	\$ 13,533.26	\$ 13,533.26	\$ 14,678.78	\$ 16,656.88	\$ 22,594.87	\$ 21,407.26	\$ 16,858.99	\$ 15,676.20	\$ 15,676.20	\$ 181,093.91
Irrigation Customers														
No. Customers - 3/4"	4	4	4	4	4	4	4	4	4	4	4	4	4	
No. Customers - 1"	3	3	3	3	3	3	3	3	3	3	3	3	3	
No. Customers - 1 1/2"	2	2	2	2	2	2	2	2	2	2	2	2	2	
Total Gallons	90,000	30,520	22,220	13,940	17,090	27,430	143,250	216,960	230,850	268,560	223,320	141,280	141,280	1,425,470
Revenue	\$ 490.48	\$ 276.35	\$ 246.51	\$ 216.86	\$ 228.00	\$ 265.23	\$ 682.18	\$ 947.61	\$ 997.54	\$ 1,133.37	\$ 970.43	\$ 675.09	\$ 675.09	\$ 7,129.45
Commercial Customers														
No. Customers - 3/4"	5	5	5	5	5	5	5	5	5	5	5	5	5	
No. Customers - 1"	2	2	2	2	2	2	2	2	2	2	2	2	2	
No. Customers - 1 1/2"	0	0	0	0	0	0	0	0	0	0	0	0	0	
Water Sold - Commer	409,230	145,750	90,480	120,130	88,050	363,210	297,120	707,600	618,520	651,860	345,910	345,910	345,910	4,043,700
Water Sold - WWTTP	44,920	30,660	15,160	34,370	30,060	28,710	13,560	26,550	31,610	31,610	31,610	31,610	31,610	362,640
Water Sold - Jetting	-	31,900	68,377	-	83,300	-	65,500	5,300	35,700	35,700	-	-	-	287,977
Total Gallons	454,050	206,330	174,997	154,500	201,410	471,520	377,980	738,450	686,870	686,870	385,690	385,690	385,690	4,694,317
Revenue - Commercial	\$ 1,630.48	\$ 743.00	\$ 513.07	\$ 658.11	\$ 534.11	\$ 891.34	\$ 1,593.94	\$ 1,257.45	\$ 2,789.44	\$ 2,480.90	\$ 2,599.25	\$ 1,513.89	\$ 1,513.89	\$ 17,204.78
Revenue - WWTTP	\$ 89.19	\$ 61.05	\$ 30.17	\$ 68.40	\$ 59.88	\$ 64.99	\$ 57.13	\$ 30.57	\$ 52.83	\$ 64.97	\$ 63.30	\$ 79.16	\$ 79.16	\$ 721.65
Revenue - Jetting	-	164.48	288.96	-	349.88	-	-	285.90	69.08	175.52	-	-	-	\$ 1,336.72
Water Accountability														
Water Purchased	2,473,000	1,803,000	2,265,000	1,845,000	3,078,000	3,078,000	3,675,000	5,014,000	6,132,000	4,555,000	3,319,000	3,455,000	3,455,000	40,346,000
Water Sold	2,045,390	1,808,170	1,308,640	1,505,440	2,088,700	2,088,700	2,716,120	3,300,880	5,316,730	4,971,990	3,690,010	2,956,880	2,956,880	33,484,000
Water Lost	(172,390)	293,830	956,160	339,560	989,300	989,300	958,880	1,713,150	815,270	(406,990)	(341,010)	498,140	498,140	6,862,000
Cost of Lost Water	\$ (415.46)	\$ 708.13	\$ 2,304.35	\$ 618.34	\$ 2,593.21	\$ 2,384.21	\$ 2,310.90	\$ 4,128.66	\$ 1,964.80	\$ (980.85)	\$ (821.83)	\$ 1,202.83	\$ 1,202.83	\$ 16,537.42
Accountability	107%	85%	58%	82%	54%	68%	74%	68%	87%	100%	110%	86%	86%	83%
Y-T-D Accountability	107%	97%	84%	83%	76%	76%	74%	72%	75%	80%	83%	83%	83%	83%
Rates - Water														
3/4" Meter	18.12	21.76	3.80	1.99	2.15	2.15	0.26							
1" Meter	15.00	24.25	3.60											
1 1/2" Meter	24.00	32.00	3.60											
Hydant Meter	50.00													
Water Revenues														
Residential Customers	14,363.56	11,752.27	10,831.37	11,631.96	13,533.26	13,533.26	14,678.78	16,656.88	22,594.87	21,407.26	16,858.99	15,676.20	15,676.20	181,093.91
Irrigation Customers	490.48	276.35	246.51	216.86	228.00	265.23	682.18	947.61	997.54	1,133.37	970.43	675.09	675.09	7,129.45
Commercial Customers	1,630.48	743.00	513.07	658.11	534.11	891.34	1,593.94	1,257.45	2,789.44	2,480.90	2,599.25	1,513.89	1,513.89	17,204.78
Wastewater Trt Plant	89.19	61.05	30.17	68.40	59.88	64.99	57.13	30.57	52.83	64.97	63.30	79.16	79.16	721.65
Jetting Water	-	164.48	288.96	-	349.88	-	-	285.90	69.08	175.52	-	-	-	1,336.72
Total Water Revenue	16,583.73	12,867.15	11,910.08	12,576.13	14,754.82	12,257.86	17,012.03	19,178.11	26,503.78	24,285.02	20,491.57	17,947.14	17,947.14	207,488.51
Posted Revenue	16,591.44	12,867.68	11,712.11	12,593.19	14,808.56	12,013.53	16,917.38	18,964.58	26,408.76	24,997.04	20,354.42	17,868.04	17,868.04	207,179.97
Difference	(7.71)	(109.47)	(197.97)	(71.94)	(145.87)	(94.65)	(80.35)	(17.47)	(104.98)	(712.02)	(137.15)	(918.90)	(918.90)	(2,708.36)
% Difference	0.0%	-0.8%	-1.7%	-0.6%	-1.0%	-0.8%	-0.5%	-0.1%	-0.4%	-1.1%	-0.7%	-0.4%	-0.4%	-2.8%
Rates - Sewer														
Residential Customers	27.50	27.50	27.50	27.50	27.50	27.50	27.50	27.50	27.50	27.50	27.50	27.50	27.50	
Commercial Customers	27.50	27.50	27.50	27.50	27.50	27.50	27.50	27.50	27.50	27.50	27.50	27.50	27.50	
Sewer Customers														
Residential	404	408	408	409	412	412	412	413	416	416	418	419	419	
Commercial	5	5	5	5	5	5	5	5	6	6	6	6	6	
Sewer Revenues														
Residential Customers	11,110.00	11,220.00	11,220.00	11,247.50	11,247.50	11,247.50	11,330.00	11,357.50	11,440.00	11,440.00	11,495.00	11,522.50	11,522.50	135,980.00
Commercial Customers	137.50	137.50	137.50	137.50	137.50	137.50	137.50	137.50	165.00	165.00	165.00	165.00	165.00	1,780.00
Total	11,247.50	11,357.50	11,357.50	11,385.00	11,385.00	11,385.00	11,467.50	11,495.00	11,605.00	11,605.00	11,660.00	11,687.50	11,687.50	137,760.00
Posted Revenue	11,247.50	11,357.50	11,357.50	11,385.00	11,385.00	11,385.00	11,467.50	11,495.00	11,581.17	11,581.17	11,660.00	11,687.50	11,687.50	134,997.79
Difference	-	-	-	(4.50)	(4.50)	(4.50)	(82.50)	(0.50)	(76.83)	(76.83)	35.72	35.72	35.72	(2,762.21)
% Difference	0.0%	0.0%	0.0%	-0.4%	-0.4%	-0.4%	-0.7%	-0.4%	-0.7%	-0.7%	0.3%	0.3%	0.3%	-2.0%

TABLE 4
HARBOR ISLAND UTILITIES, INC.
PROJECTED WATER & SEWER REVENUES FOR TEST YEAR
USING PROPOSED RATES

	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	ADJ	TOTAL
Residential Customers														
No. Customers	423	423	423	423	423	423	428	429	431	431	431	430		
Total Gallons	2,101,340	1,370,420	1,114,813	1,337,000	1,185,370	1,842,750	2,160,950	2,705,890	4,348,430	4,018,540	2,753,020	2,429,890		27,384,213
Revenue	\$ 16,968.44	\$ 13,600.91	\$ 12,562.33	\$ 13,485.22	\$ 12,849.60	\$ 15,613.57	\$ 16,905.46	\$ 19,136.91	\$ 25,835.51	\$ 24,496.15	\$ 19,366.26	\$ 18,035.35		\$ 208,435.71
Irrigation Customers														
No. Customers - 3/4"	4	4	4	4	4	4	4	4	4	4	4	4		
No. Customers - 1"	3	3	3	3	3	3	3	3	3	3	3	3		
No. Customers - 1 1/2"	2	2	2	2	2	2	2	2	2	2	2	2		
Total Gallons	90,000	30,520	22,230	13,940	17,090	27,430	143,250	216,980	230,850	288,580	223,320	141,280		1,425,470
Revenue	\$ 557.40	\$ 315.91	\$ 282.25	\$ 248.60	\$ 261.39	\$ 303.37	\$ 773.60	\$ 1,072.94	\$ 1,129.25	\$ 1,282.43	\$ 1,098.68	\$ 765.60		\$ 8,091.42
Commercial Customers														
No. Customers - 3/4"	5	5	5	5	5	5	5	5	5	5	5	5		
No. Customers - 1"	2	2	2	2	2	2	2	2	2	2	2	2		
No. Customers - 1 1/2"	0	0	0	0	0	0	0	0	0	0	0	0		
WWTP	1	1	1	1	1	1	1	1	1	1	1	1		
Jetting	0	1	1	0	1	0	0	1	1	1	0	0		
Water Sold - Commer	409,230	145,750	90,460	120,130	88,050	383,210	297,120	707,800	618,520	651,860	345,910	39,780		4,043,700
Water Sold - WWTP	44,820	30,680	15,160	34,370	30,090	32,660	28,710	15,360	26,550	31,810	31,810	39,780		362,640
Water Sold - Jetting	-	31,800	66,377	-	83,300	-	65,500	5,300	35,700	-	-	-		287,977
Total Gallons	454,050	208,230	171,997	154,500	201,440	411,520	377,980	739,450	686,870	683,670	385,690	-		4,694,317
Revenue - Commercial	\$ 1,835.47	\$ 839.88	\$ 577.80	\$ 744.58	\$ 604.00	\$ 1,007.30	\$ 1,799.02	\$ 1,417.32	\$ 3,143.84	\$ 2,796.88	\$ 2,930.21	\$ 1,707.26		\$ 19,403.34
Revenue - WWTP	\$ 108.02	\$ 73.94	\$ 36.54	\$ 82.83	\$ 72.52	\$ 76.71	\$ 89.19	\$ 37.02	\$ 63.99	\$ 78.89	\$ 76.66	\$ 95.87		\$ 873.96
Revenue - Jetting	-	196.02	338.47	-	408.20	-	-	334.86	86.84	212.08	-	-		\$ 1,576.47
Water Accountability														
Water Purchased	2,473,000	1,903,000	2,265,000	1,845,000	2,621,000	3,078,000	3,675,000	5,014,000	6,132,000	4,565,000	3,319,000	3,456,000		40,346,000
Water Sold	2,845,390	1,609,170	1,308,840	1,505,440	1,403,900	2,089,700	2,716,120	3,340,850	5,316,730	4,971,990	3,660,010	2,956,860		33,494,000
Water Lost	(172,390)	293,830	956,160	339,560	1,217,100	989,300	958,680	1,713,150	815,270	(406,990)	(341,010)	499,140		6,862,000
Cost of Lost Water	\$ (415.46)	\$ 708.13	\$ 2,304.35	\$ 818.34	\$ 2,933.21	\$ 2,384.21	\$ 2,310.90	\$ 4,128.69	\$ 1,964.80	\$ (980.55)	\$ (821.83)	\$ 1,202.93		\$ 16,537.42
Accountability	107%	85%	58%	82%	54%	66%	74%	66%	87%	105%	110%	86%		83%
Y-T-D Accountability	107%	97%	84%	83%	76%	74%	74%	72%	75%	80%	83%	83%		
Rates - Water														
Base Rate	19.00	24.00	4.06	2.41	2.15	0.26	4.12							
3/4" Meter	21.00	27.00	4.06											
1 1/2" Meter	26.50	33.00	4.06											
Hydrant Meter	65.00													
Water Revenues														
Residential Customers	16,568.44	13,600.91	12,562.33	13,485.22	12,849.60	15,613.57	16,905.46	19,136.91	25,835.51	24,496.15	19,366.26	18,035.35		208,435.71
Irrigation Customers	557.40	315.91	282.25	248.60	261.39	303.37	773.60	1,072.94	1,129.25	1,282.43	1,098.68	765.60		8,091.42
Commercial Customers	1,835.47	839.88	577.80	744.58	604.00	1,007.30	1,799.02	1,417.32	3,143.84	2,796.88	2,930.21	1,707.26		19,403.34
Wastewater Trt Plant	108.02	73.94	36.54	82.83	72.52	76.71	89.19	37.02	63.99	78.89	76.66	95.87		873.96
Jetting Meter	-	196.02	338.47	-	408.20	-	-	334.86	86.84	212.08	-	-		1,576.47
Total Water Revenue	19,069.33	15,026.45	13,797.39	14,541.21	14,195.70	17,002.95	19,547.27	21,999.05	30,259.42	28,866.23	23,471.81	20,604.08		238,380.90
Rates - Sewer														
Base Rate	39.00	39.00	1.50											
Sewer Customers														
Residential Customers	404	408	408	409	409	412	412	413	416	416	418	419		
Commercial	5	5	5	5	5	5	5	5	6	6	6	6		
Sewer Revenues														
Residential Customers	15,756.00	15,912.00	15,912.00	15,951.00	15,951.00	16,068.00	16,068.00	16,107.00	16,224.00	16,224.00	16,302.00	16,341.00		192,816.00
Commercial Customers	195.00	195.00	195.00	195.00	195.00	195.00	195.00	195.00	234.00	234.00	234.00	234.00		2,496.00
Total	15,951.00	16,107.00	16,107.00	16,146.00	16,146.00	16,263.00	16,263.00	16,302.00	16,458.00	16,458.00	16,536.00	16,575.00		195,312.00

SECTION 3

PRO FORMA INCOME & EXPENSE STATEMENT USING PROPOSED RATES FOR TEST YEAR

This section summarizes the adjustments made to the test year (FY-06) and the effects of the proposed rate adjustments.

TABLE 5						
HARBOR ISLAND UTILITIES, INC						
PRO FORMA INCOME & EXPENSE STATEMENT						
USING PROPOSED RATES APPLIED TO TEST YEAR FY-06						
ACTIVITY	PER BOOKS	PRO FORMA ADJUSTMENT	*	AFTER ADJUSTMENT	EFFECT OF PROPOSED INCREASE	AFTER PROPOSED INCREASE
Operating Revenues						
Water Sales	201,800	5,687	(1)	207,487	30,894	238,381
Sewer Revenue	134,998	2,722	(2)	137,720	57,592	195,312
Safe Water Fee	2,109	(2,109)	(3)	-	-	-
Late Charges	633	-		633	-	633
Tap Fees	5,652	(5,652)	(4)	-	-	-
Total Revenues	345,192	648		345,839	88,486	434,326
Operating Expenses						
Administration	93,947	(23,408)	(5)	70,539		70,539
Water Sys O&M	75,645	(5,496)	(6)	70,149		70,149
Sewer Sys O&M	157,057	492		157,549		157,549
Water Purchase	96,128	(6,094)	(7)	90,034		90,034
Total Expenses	422,776	(34,506)		388,271	-	388,271
Net Operating Income	(77,585)	35,153		(42,431)	88,486	46,055
Add Customer Growth				-		-
Total Operating Income	(77,585)	35,153		(42,431)	88,486	46,055
Operating Margin	-22.5%			-12.3%		10.6%
*Adjustments (1) Water Sales adjusted up according to the model used in Section 2, Table 3. (2) Sewer Revenue adjusted up according to the model used in Section 2, Table 3. (3) Safe Water Fee is collected for, and paid to, DHEC. Not a part of the rate base. (4) Tap Fees are not a part of the rate base. Corresponding expenses for connecting water and sewer services also are removed. (5) Administration Expenses are adjusted as detailed in Section 2, Table 1. (6) Water and Sewer Expenses are adjusted as detailed in Section 2, Table 1. (7) Water Purchased is adjusted down to reflect a 90% accountability.						

While the actual operating margin was negative 22.5%, after the pro forma adjustments were made the operating margin is negative 12.3%. With the proposed adjustments to the water and sewer rates the operating margin will be 10.6%.

Effects of Rate Adjustments

Water

<u>Residential & Irrigation – ¾" meter</u>	<u>Current</u>	<u>Proposed</u>	<u>% Change</u>
0 gallons	\$16.12	\$19.00	17.8%
10,000 gallons	\$52.12	\$59.60	14.3%
30,000 gallons	\$124.12	\$140.80	13.4%

Commercial – ¾ " meter

0 gallons	\$21.75	\$24.00	10.3%
10,000 gallons	\$57.75	\$64.60	11.9%
30,000 gallons	\$129.75	\$145.50	12.1%

Sewer

Residential	\$27.50	\$39.00	41.8%
Commercial	\$27.50	\$39.00	41.8%

APPENDICES

APPENDIX A
HARBOR ISLAND UTILITIES, INC
REVENUE & EXPENSE STATEMENT
FY - 06

	Per Books	Adjusted
<u>REVENUE:</u>		
Water Sold	201,800	207,487
Sewer Service	134,998	137,720
Safe Drinking Water Fee	2,109	-
Late Charges	633	633
Tap Fees	5,652	-
Total Revenue	345,192	345,839
<u>COST OF SALES:</u>		
Water Purchased		
BJWSA	85,632	
FIPSD	10,496	
Total Cost of Water	96,128	90,034
<u>GROSS Margin:</u>	249,064	255,805
<u>EXPENSES:</u>		
Administration	93,947	70,539
Water System O & M	75,645	70,149
Sewer System O & M	157,057	157,549
Total Expenses	326,648	298,237
NET GAIN (LOSS)	(77,585)	(42,431)
Operating Margin	-22.5%	-12.3%

APPENDIX B
HARBOR ISLAND UTILITIES, INC
BALANCE SHEET
(See Accompanying Accountant's Compilation Report)

Assets and other debits	October 31, 2006
101 - Utility plant	
101.1 - Sewer system-collection system	\$ 9,300.00
101.2 - Contributed mains and services	17,040.59
101.3 - Water system-mains	18,702.29
101.4 - Sewer system-pump equipment	58,153.69
101.5 - Water System-Services	10,616.15
101.6 - Contributed meters	24,774.14
101.7 - Contributed systems	245,576.00
101.8 - Water system-hydrants	13,568.64
101.9 - Support equipment	15,078.67
101.10 - Treatment plant -treatment units	165,294.73
101.11 - Contributed sewer costs	8,187.43
101.12 - Effluent line replacement	86,582.90
101.13 - Sewer tap costs	3,680.00
101.14 - Land	5,700.00
101 - Total utility plant	<u>682,255.23</u>
108 - Accumulated depreciation	
108.1 - Water system-pump equipment	(11,697.16)
108.2 - Water system-mains	(8,620.04)
108.3 - Water system-services	(4,483.80)
108.4 - Water system-hydrants	(8,354.58)
108.5 - Water system-support equipment	(14,556.38)
108.6 - Contributed mains	(4,596.18)
108.7 - Contributed meters	(13,781.92)
108.8 - Contributed systems 1986-1995	(12,141.08)
108.9 - Contributed systems 1996 forward	(94,330.54)
108.10 - SS-Pump equipment	(21,876.76)
108.11 - SS-Collection systems	(4,371.00)
108.12 - Contributed sewer costs	(3,382.95)
108.13 - Effluent line relocation	(8,974.97)
108.14 - Treatment plant-treatment units	(25,238.85)
108.15 - Sewer tap costs	(122.67)
108 - Total accumulated depreciation	<u>(236,528.88)</u>
131 - Cash	0.00
141 - Accounts receivable	6,698.82
162 - Prepaid income taxes	2,200.00
174 - Other current assets	
174.1 - Parts inventory	600.00
174.2 - Deposits	108.08
174 - Total other current assets	<u>708.08</u>
Total assets and other debits	<u>\$ 455,333.25</u>

- (Continued) -

HARBOR ISLAND UTILITIES, INC.
Balance Sheet - (Concluded)
(See Accompanying Accountant's Compilation Report)

	October 31, 2006
Equity capital	
201 - Common stock	\$ 81,000.00
204 - Treasury stock	(516,100.00)
215 - Retained Earnings	(17,590.48)
Total equity capital	<u>(452,690.48)</u>
Liabilities and other credits	
223 - Advances from shareowners	3,418.56
232 - Notes payable	
232.1 Notes payable - bank	155,398.09
232.2 Notes payable - other individuals	258,246.80
Total long term liabilities	<u>417,063.45</u>
231 - Accounts payable	10,840.43
233 - Accounts payable to associated companies	107,415.78
241 - Deposit escrows	566.50
Total current liabilities	<u>118,822.71</u>
Total liabilities	535,886.16
271 - Contributions in aid of construction	497,970.53
272 - Accumulated amortization of contributions in aid of construction	(125,832.96)
Total other credits	<u>372,137.57</u>
Total liabilities and other credits	<u>908,023.73</u>
Total equity capital, liabilities and other credits	<u>\$ 455,333.25</u>

HARBOR ISLAND UTILITIES, INC.
Statement of Income (Loss) and Changes in Retained Earnings (Deficit)
(See Accompanying Accountant's Compilation Report)

	For the year ended October 31, 2006
Income	
461 • Water sales	
Water consumption	\$ 201,799.97
Refunds	0.00
461 • Total water sales	<u>201,799.97</u>
474 • Other water revenue	
Safe water fee	2,109.00
Late charges	632.87
Returned check fees	0.00
Water tap fees	1,152.00
Other revenues	-
474 • Total other water revenue	<u>3,893.87</u>
Total water revenues	<u>205,693.84</u>
521 • Wastewater revenues	134,997.79
536 • Other wastewater revenues - tap fees	4,500.00
Total wastewater revenues	<u>139,497.79</u>
Total revenues	<u>345,191.63</u>
Water operation and maintenance	
610 • Purchased water	96,128.05
615 • Electricity-water	5,853.10
620 • Supplies	4,773.16
634 • Contractual services - management fees	12,680.12
635 • Contractual services - testing	300.00
636 • Contractual services - other	45,569.48
675 • Depreciation-water	2,124.66
Total water operation and maintenance	<u>167,428.57</u>
Wastewater operation and maintenance	
711 • Sludge disposal	11,243.75
715 • Electricity-sewer	17,793.39
718 • Chemicals-sewer	2,171.61
720 • Materials and supplies	1,215.00
734 • Operator services-sewer	25,679.92
735 • Effluent monitoring and disposal	6,871.00
736 • Contractual services - other	66,245.83
775 • Depreciation - sewer	13,087.29
Total wastewater operation and maintenance	<u>144,307.79</u>

- (Continued) -

HARBOR ISLAND UTILITIES, INC.
Statement of Income (Loss) and Changes in Retained Earnings (Deficit) - (Concluded)
(See Accompanying Accountant's Compilation Report)

	For the year ended October 31, 2006
Administrative expenses	
408 • Taxes	15,257.30
427 • Interest paid	31,789.50
632 • Accounting	4,863.50
634 • Administration fees	38,360.04
657 • Insurance	2,369.50
Subtotal administrative expenses	<u>92,639.84</u>
 675 - Miscellaneous expenses	
Bank charges	360.24
Bad debt expense	258.22
Donations	100.00
Fripp Public Service District settlement	0.00
Licenses and permits	400.00
Line location services	5,747.06
Office supplies	0.00
Postage and freight	1,972.62
Printing	989.82
Rate case	1,000.00
Safe water fee	2,124.00
Telephone	1,103.78
675 - Total Miscellaneous Expenses	<u>14,055.74</u>
 Total administrative expenses	<u>106,695.58</u>
 Total expenses	<u>418,431.94</u>
 Net income	<u>\$ (73,240.31)</u>
 Retained earnings - beginning of year	\$ 55,649.83
Net income (loss)	(73,240.31)
Retained earnings (deficit) - end of year	<u>\$ (17,590.48)</u>

APPENDIX C
Harbor Island Utilities, Inc.
Schedule of Fixed Assets
FYE 10/31/06

Acct No.	Description	Date Acquired	Date Sold	Cost Basis 10/31/2005	Add./Retire	Cost Basis 10/31/2006	Accum. Dep 10/31/2006	Method	Life	Rate HY Conv	Current Annual Depr	Accum. Dep 10/31/2006	Remaining Book Value
1605	Pump Equipment												
1	Water system - upgrade	08/01/1986		7,706.00		7,706.00	7,706.00	SLP	10.0	0.1000	0.00	7,706.00	0.00
	Water system - upgrade	09/12/2000		8,767.80		8,767.80	930.58	SLP	40.0	0.0250	198.20	1,099.77	5,668.03
	Water system - upgrade	04/30/2001		12,863.07		12,863.07	1,449.36	SLP	40.0	0.0250	322.08	1,771.42	11,111.65
	Fence around pump	08/19/2004		2,908.00		2,908.00	822.70	SLP	7.0	0.1429	415.14	1,037.85	1,868.15
	Pete Duty & Associates	01/23/2006			1,149.75	1,149.75		SLP	7.0	0.0714	82.13	82.13	1,067.63
				<u>30,282.87</u>	<u>1,149.75</u>	<u>31,412.62</u>	<u>10,708.62</u>				<u>988.54</u>	<u>11,597.18</u>	<u>19,715.46</u>
1606	Water Mains												
	Bridge Crossing	07/01/1986		8,863.00		8,863.00	3,317.46	SLP	40.0	0.0250	171.58	3,489.04	3,373.97
	Phase I Water Line	08/01/1986		1,220.00		1,220.00	587.00	SLP	40.0	0.0250	30.50	617.50	602.50
	Beach Walk Phase I	11/27/1989		10,620.00		10,620.00	4,248.00	SLP	40.0	0.0250	266.50	4,513.50	6,106.50
				<u>18,703.00</u>	<u>0.00</u>	<u>18,703.00</u>	<u>8,152.46</u>				<u>468.58</u>	<u>8,620.04</u>	<u>10,082.97</u>
1607	Services												
	Beach Walk Phase I	11/27/1989		10,286.00		10,286.00	4,114.80	SLP	40.0	0.0250	257.15	4,372.05	5,913.95
	Kelp & Teal Court Connections	05/18/1993		330.00		330.00	103.50	SLP	40.0	0.0250	8.25	111.76	218.25
				<u>10,616.00</u>	<u>0.00</u>	<u>10,616.00</u>	<u>4,218.40</u>				<u>265.40</u>	<u>4,483.80</u>	<u>6,132.20</u>
1608	Hydrants												
	Fire Hydrants	07/01/1986		7,800.00		7,800.00	3,873.00	SLP	40.0	0.0250	190.00	3,863.00	3,737.00
	Beach Walk Phase I	11/27/1989		2,589.00		2,589.00	1,027.38	SLP	40.0	0.0250	64.23	1,091.58	1,477.42
	Hydrants	08/03/2000		1,300.00		1,300.00		SLP	5.0	0.2000	0.00	1,300.00	0.00
	Hydrants	02/10/2000		2,100.00		2,100.00		SLP	5.0	0.2000	0.00	2,100.00	0.00
				<u>13,589.00</u>	<u>0.00</u>	<u>13,589.00</u>	<u>8,100.38</u>				<u>254.23</u>	<u>8,354.58</u>	<u>5,214.42</u>
1609/16	Support Equipment												
	Centrifugal Pump	08/01/1986		1,197.00		1,197.00	1,197.00	SLP	3.0	0.3333	0.00	1,197.00	0.00
	Fluashquip Retrieval Sys Model T-1	01/12/1995		1,570.00		1,570.00	1,570.00	SLP	3.0	0.3333	0.00	1,570.00	0.00
	Gastech Gas Monitor GT402	01/12/1995		2,972.00		2,972.00	2,972.00	SLP	5.0	0.2000	0.00	2,972.00	0.00
	Sampler	04/17/1995		2,297.00		2,297.00	2,297.00	SLP	5.0	0.2000	0.00	2,297.00	0.00
	Flow meter	04/17/1995		3,200.00		3,200.00	3,200.00	SLP	5.0	0.2000	0.00	3,200.00	0.00
	Chlorine scales	04/17/1995		1,075.00		1,075.00	1,075.00	SLP	5.0	0.2000	0.00	1,075.00	0.00
	Tap costs (non-capital contribu)	08/29/2000		2,022.00		2,022.00	2,022.00	SLP	5.0	0.2000	0.00	2,022.00	0.00
	Equipment	08/23/2005		744.81		744.81	74.48	SLP	5.0	0.2000	148.92	223.38	521.23
				<u>15,077.81</u>	<u>0.00</u>	<u>15,077.81</u>	<u>14,407.46</u>				<u>148.92</u>	<u>14,556.38</u>	<u>521.23</u>
1635	SS Pump Equipment												
	Pump stations	02/08/1995		20,000.00		20,000.00	20,000.00	SLP	5.0	0.2000	0.00	20,000.00	0.00
	Effluent Line	08/02/2002		2,623.00		2,623.00	612.04	SL	15.0	0.0667	174.87	786.90	1,836.10
	2 4-HP Sewage Pumps	08/24/2004		2,000.00		2,000.00	200.00	SLP	15.0	0.0667	133.33	333.34	1,666.66
	Material	08/19/2004		2,118.28		2,118.28	453.91	SL	7.0	0.1429	302.81	756.52	1,361.78
				<u>26,741.28</u>	<u>0.00</u>	<u>26,741.28</u>	<u>21,265.95</u>				<u>610.81</u>	<u>21,876.76</u>	<u>4,864.52</u>
1636	SS Collection Systems												
	Sewer collection systems	02/08/1995		9,300.00		9,300.00	3,999.00	SLP	25.0	0.0400	372.00	4,371.00	4,929.00
				<u>9,300.00</u>	<u>0.00</u>	<u>9,300.00</u>	<u>3,999.00</u>				<u>372.00</u>	<u>4,371.00</u>	<u>4,929.00</u>
1638	Effluent Line Replacement												
	Utility Drawings	02/10/2003		298.00		298.00	49.66	SLP	15.0	0.0667	19.87	69.52	228.48
	Cast Iron Pump	01/02/2003		1,492.00		1,492.00	248.67	SLP	15.0	0.0667	99.47	348.13	1,143.87
	Effluent Line Replacement	11/01/2003		780.00		780.00	104.00	SLP	15.0	0.0667	52.00	156.00	624.00
	Effluent Line Replacement	09/29/2005		84,013.14		84,013.14	2,800.44	SLP	15.0	0.0667	5,900.88	8,401.31	75,611.83
				<u>86,583.14</u>	<u>0.00</u>	<u>86,583.14</u>	<u>3,202.78</u>				<u>5,772.21</u>	<u>8,974.97</u>	<u>77,608.17</u>
1645/16	TP Treatment Units												
	Treatment plant	02/08/1995		40,000.00		40,000.00	17,200.00	SLP	25.0	0.0400	1,600.00	18,800.00	21,200.00
	Blower	04/12/2002		3,102.43		3,102.43	723.90	SL	15.0	0.0667	208.83	630.73	2,171.70
	Blower	04/07/2004		3,134.48		3,134.48	313.45	SL	15.0	0.0667	208.97	522.41	2,612.07
	Blower	05/01/2004		5,522.07		5,522.07	582.21	SL	15.0	0.0667	388.14	920.35	4,601.72
	Fencing	08/19/2004		2,908.00		2,908.00	174.38	SLP	25.0	0.0400	118.24	280.80	2,615.40
	WW Treatment Plant Upgrade	10/21/2005		1,306.66		1,306.66	66.33	SLP	20.0	0.0500	65.33	130.67	1,175.99
	WW Treatment Plant Upgrade	08/25/2006			92,400.86	92,400.86		SLP	15.0	0.0333	3,080.03	3,080.03	89,320.83
	Treatment Units - Other	10/01/2006			16,922.23	16,922.23		SLP	15.0	0.0333	584.07	584.07	16,368.16
				<u>55,971.64</u>	<u>109,323.09</u>	<u>165,294.73</u>	<u>19,029.25</u>				<u>6,269.61</u>	<u>25,238.85</u>	<u>140,055.88</u>
1623	Contributed mains & services												
	kelp & teal court connections	05/18/1993		730.00		730.00	228.50	Amort	40.0	0.0250	18.25	246.75	483.25
	Ocean Marsh Sewer Ext	03/14/1996		16,311.00		16,311.00	3,941.88	Amort	40.0	0.0250	407.78	4,349.43	11,961.57
				<u>17,041.00</u>	<u>0.00</u>	<u>17,041.00</u>	<u>4,170.18</u>				<u>426.03</u>	<u>4,596.18</u>	<u>12,444.82</u>

Acct No.	Description	Date Acquired	Date Sold	Basis 10/31/2005	Add.(Retire)	Basis 10/31/2006	10/31/2005	Method	Life	Rate HY Conv	Current Annual Depr	Accum. Dep 10/31/2006	Book Value
1624/16: Contributed-meters													
	Water Tap Costs 1987	10/31/1987		504.00		504.00	504.00	Amort	15.0	0.0667	0.00	504.00	0.00
	Water Tap Costs 1988	10/31/1988		204.00		204.00	204.00	Amort	15.0	0.0667	0.00	204.00	0.00
	Water Tap Costs 1989	10/31/1989		183.00		183.00	183.00	Amort	15.0	0.0667	0.00	183.00	0.00
	Water Tap Costs 1990	10/31/1990		140.00		140.00	140.00	Amort	15.0	0.0667	0.00	140.00	0.00
	Water Tap Costs 1991	02/28/1991		478.00		478.00	470.21	Amort	15.0	0.0667	7.79	478.00	0.00
	Water Tap Costs 1992	10/31/1992		728.00		728.00	835.80	Amort	15.0	0.0667	48.80	884.20	44.80
	Water Tap Costs 1993	10/31/1993		1,436.00		1,436.00	1,156.39	Amort	15.0	0.0667	95.73	1,252.13	183.87
	Water Tap Costs 1994	10/31/1994		1,893.00		1,893.00	1,398.20	Amort	15.0	0.0667	126.20	1,525.40	367.60
	Water Tap Costs 1995	10/31/1995		1,273.00		1,273.00	855.21	Amort	15.0	0.0667	84.87	940.07	332.93
	Water Tap Costs 1996	10/31/1996		1,947.00		1,947.00	1,178.80	Amort	15.0	0.0667	129.80	1,308.80	638.20
	Water Tap Costs 1997	10/31/1997		3,100.00		3,100.00	1,653.01	Amort	15.0	0.0667	208.67	1,859.67	1,240.33
	Water Tap Costs 1998	10/31/1998		2,502.00		2,502.00	1,181.80	Amort	15.0	0.0667	168.80	1,348.80	1,153.20
	Water Tap Costs 1999	10/31/1999		1,817.00		1,817.00	736.79	Amort	15.0	0.0667	121.13	857.93	959.07
	Water Tap Costs 2000	04/30/2001		6,148.14		6,148.14	1,844.45	Amort	15.0	0.0667	408.88	2,254.32	3,893.82
	Water Tap Costs 2004	01/01/2006		2,420.00		2,420.00	80.67	Amort	15.0	0.0667	161.33	242.00	2,178.00
				<u>24,774.14</u>	<u>0.00</u>	<u>24,774.14</u>	<u>12,223.12</u>				<u>1,558.80</u>	<u>13,781.82</u>	<u>10,992.22</u>
1625 Contributed systems													
	Kelp & seal court - water mains	05/14/1993		4,587.00		4,587.00	1,436.56	Amort	40.0	0.0250	114.83	1,551.48	3,045.52
	kelp & seal court - water services	05/14/1993		3,819.00		3,819.00	3,182.80	Amort	15.0	0.0667	254.80	3,437.20	381.80
	Sea Cottages mains & connector	08/09/1993		8,968.00		8,968.00	2,728.20	Amort	40.0	0.0250	224.20	2,952.40	6,015.60
	Sea Cottages fire hydrants	08/09/1993		900.00		900.00	438.00	Amort	25.0	0.0400	36.00	474.00	426.00
	Sea Cottages services	08/09/1993		4,245.00		4,245.00	3,443.00	Amort	15.0	0.0667	283.00	3,726.00	519.00
				<u>22,529.00</u>	<u>0.00</u>	<u>22,529.00</u>	<u>11,228.36</u>				<u>612.73</u>	<u>12,141.08</u>	<u>10,387.92</u>
1702 Sewer Tap Costs													
	Sewer Taps - 2006	10/31/2006		0.00	3,680.00	3,680.00	0.00	SL	15.0	0.0333	122.67	122.67	3,557.33
				<u>0.00</u>	<u>3,680.00</u>	<u>3,680.00</u>	<u>0.00</u>				<u>122.67</u>	<u>122.67</u>	<u>3,557.33</u>
Sub-Total depreciation													
				<u>331,168.68</u>	<u>114,152.84</u>	<u>445,321.52</u>	<u>120,708.89</u>				<u>18,109.51</u>	<u>138,615.40</u>	<u>306,506.12</u>
1537/16: Contributed sewer taps													
	Sewer tap costs 1996	10/31/1996		20.00		20.00	12.99	Amort	15.0	0.0667	1.33	14.33	6.67
	sewer tap costs 1998	10/31/1998		280.00		280.00	158.99	Amort	15.0	0.0667	17.33	174.33	85.67
	sewer tap costs 1997	10/31/1997		380.00		380.00	202.99	Amort	15.0	0.0667	25.33	228.33	151.67
	sewer tap costs 1999	10/31/1999		5,107.43		5,107.43	2,383.48	Amort	15.0	0.0667	340.50	2,723.97	2,383.46
	sewer tap costs 2004	01/01/2006		2,420.00		2,420.00	80.67	Amort	15.0	0.0667	161.33	242.00	2,178.00
				<u>8,187.43</u>	<u>0.00</u>	<u>8,187.43</u>	<u>2,837.12</u>				<u>546.83</u>	<u>3,382.96</u>	<u>4,804.48</u>
1626 1998 Forward Systems													
	Harbor Key (Westmarsh)	11/01/1998		38,384.00		38,384.00	8,639.10	Amort	40.0	0.0250	959.85	9,598.95	28,795.05
	Harbor Key (Westmarsh)	11/01/1998		8,775.00		8,775.00	1,974.28	Amort	40.0	0.0250	219.38	2,193.63	6,581.37
	Harbor Key (Westmarsh)	11/01/1998		35,930.00		35,930.00	35,930.00	Amort	5.0	0.2000	0.00	35,930.00	0.00
	Harbor Key (Westmarsh)	11/01/1998		68,502.00		68,502.00	24,560.48	Amort	25.0	0.0400	2,740.08	27,400.58	41,101.42
	Harbor Key (Westmarsh)	11/01/1998		5,855.00		5,855.00	3,512.99	Amort	15.0	0.0667	360.33	3,903.33	1,951.67
	Ocean Marsh sewer ext	07/29/1997		65,589.00		65,589.00	13,664.35	Amort	40.0	0.0250	1,639.73	15,304.07	50,284.93
				<u>223,045.00</u>	<u>0.00</u>	<u>223,045.00</u>	<u>68,381.17</u>				<u>5,049.38</u>	<u>64,330.54</u>	<u>158,714.46</u>
Total amortization													
				<u>231,232.43</u>	<u>0.00</u>	<u>231,232.43</u>	<u>91,218.30</u>				<u>6,495.19</u>	<u>97,713.49</u>	<u>133,518.94</u>
Total													
				<u>562,401.11</u>	<u>114,152.84</u>	<u>676,553.95</u>	<u>211,924.18</u>				<u>24,604.70</u>	<u>238,628.88</u>	<u>440,025.07</u>
	Non-deductibles	=H89+H108+H117+H134+H144					118,839.82				9,382.74	128,232.67	
	Water	=H117+H24+H30+H38+H50					45,587.30				12,124.86	47,711.96	
	Sewer	=H57+H62+H70+H82+H120					47,496.96				13,087.30	60,584.25	
							<u>211,924.18</u>				<u>24,604.70</u>	<u>238,628.88</u>	
											<u>0.00</u>	<u>0.00</u>	

Water 2124.67
 Sewer 13,087.30
 cc-Water 2471.53
 cc-Sewer 692.12
 9392.75

APPENDIX D
HARBOR ISLAND UTILITIES, INC
PLANT INVESTMENT

Most of the water system owned by HIU was donated by the developer when it was constructed; therefore, there is very little investment in the system. The purchased water assets are:

Pump Housing & System Upgrade	\$7,705.79
1986 Water Main Extension	8,082.51
Fire Hydrants (7)	7,600.00
<u>Support Equipment</u>	<u>12,312.06</u>
Total	\$35,700.36

In 1995, the sewer system assets were purchased from the Fripp Island Sewer System, Inc. The sewer system assets included:

Pump Stations (6)	\$20,000.00
Collection System	9,300.00
<u>Treatment Plant</u>	<u>40,000.00</u>
Total	\$69,300.00

Systems purchased since 1995 are:

Water system upgrade (year 2000)	\$6,767.60
Water system upgrade (year 2000)	\$12,883.07
Hydrants (year 2000)	\$3,400.00
Wastewater Effluent Line Relocation (2005)	\$86,582.90
Wastewater Treatment System Filters (2005-2006)	\$92,400.80
Replace Water Service Pump (2006)	\$4,870.00

APPENDIX E
HARBOR ISLAND UTILITIES, INC
CURRENTLY APPROVED RATES (DECEMBER 23, 2002)

USER FEES - WATER

1. Residential

¾" meter	Base	\$16.12/month
	Commodity	\$3.60/1,000 gallons
1" meter	Base	\$18.00/month
	Commodity	\$3.60/1,000 gallons
1½" meter	Base	\$24.00/month
	Commodity	\$3.60/1,000 gallons

2. Commercial Water Service

¾" meter	Base	\$21.75/month
	Commodity	\$3.60/1,000 gallons
1" meter	Base	\$24.257/month
	Commodity	\$3.60/1,000 gallons
1½" meter	Base	\$32.00/month
	Commodity	\$3.60/1,000 gallons

3. Landscape Irrigation

¾" meter	Base	\$16.12/month
	Commodity	\$3.60/1,000 gallons
1" meter	Base	\$18.00/month
	Commodity	\$3.60/1,000 gallons
1½" meter	Base	\$24.00/month
	Commodity	\$3.60/1,000 gallons

4. Meters Used for Multiple Residential Units

Minimum monthly charge at \$16.12/unit
Commodity charge of \$3.60/1,000 gallons

FIRE HYDRANT USAGE

1. Installation Charge	\$ 50.00*
Advance Payment	\$ 50.00*
Cost per 1,000 gallons	\$ 3.60

RECONNECTION FEES

1. Disconnect/Reconnect at Customer's Request	\$ 50.00*
2. Disconnect/Reconnect due to Nonpayment	\$ 50.00*

TAP FEES

1. **Single Units**
 - 3-4" meter \$ 687.00
 - 1" meter \$1,037.00
 - 1½" meter \$1,187.00
 - 2" meter \$2,187.00
2. **Master Meter for Multiple Units**
 - 1" - 2" \$ 687.00
 - Greater than 2" \$ 500.00

ADVANCE PAYMENT

1. For Water Used During Construction (paid with tap fees) \$ 100.00*

USER FEES - SEWER

1. Residential \$ 27.50
2. Commercial \$ 27.50 min. for 10,500 gallons
\$ 1.50 per 1,000 gal excess usage
(Sewage flow is determined by using SCDHEC
wastewater unit load allocation)

TAP FEES - SEWER

- | | |
|---|----------------|
| Residential | \$ 500.00* |
| Trailer Park | \$ 250.00/pad* |
| Commercial: Water supplied through 1" - 1½" meter | \$ 850.00* |

*No change to previously approved rates

APPENDIX F
HARBOR ISLAND UTILITIES, INC
PROPOSED RATE SCHEDULE
USER FEES - WATER

1. <u>Residential</u>		
¾" meter	Base	\$19.00/month
	Commodity	\$4.12/1,000 gallons
1" meter	Base	\$21.00/month
	Commodity	\$4.12/1,000 gallons
1½" meter	Base	\$26.50/month
	Commodity	\$4.12/1,000 gallons
2. <u>Commercial Water Service</u>		
¾" meter	Base	\$24.00/month
	Commodity	\$4.12/1,000 gallons
1" meter	Base	\$27.007/month
	Commodity	\$4.12/1,000 gallons
1½" meter	Base	\$33.00/month
	Commodity	\$4.12/1,000 gallons
3. <u>Landscape Irrigation</u>		
¾" meter	Base	\$19.00/month
	Commodity	\$4.12/1,000 gallons
1" meter	Base	\$21.00/month
	Commodity	\$4.12/1,000 gallons
1½" meter	Base	\$26.50/month
	Commodity	\$4.12/1,000 gallons
4. <u>Meters Used for Multiple Residential Units</u>		
Minimum monthly charge at \$19.00/unit		
Commodity charge of \$4.12/1,000 gallons		

FIRE HYDRANT USAGE

1. Installation Charge	\$ 65.00
Advance Payment	\$ 75.00
Cost per 1,000 gallons	\$4.25/1,000 gallons

RECONNECTOIN FEES

1. Disconnect/Reconnect at Customer's Request	\$ 50.00*
2. Disconnect/Reconnect due to Nonpayment	\$ 50.00*

TAP FEES

1. <u>Single Units</u>	
3-4" meter	\$1,200.00
1" meter	\$1,600.00
1½" meter	\$1,800.00
2" meter	\$2,700.00

2. **Master Meter for Multiple Units**

1" – 2" (plus cost of meter installation)	\$1,200.00/unit
Greater than 2" (plus cost of meter installation)	\$ 600.00/unit

ADVANCE PAYMENT

1. For Water Used During Construction (paid with tap fees)	\$ 100.00*
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There are three additional changes to the rates that are currently approved by the PSCSC. The changes are:

1. Administrative set-up fee for new customers	\$25.00
2. Pass through rate increases from BJWSA and FIPSD after a 60-day notice to PSCSC and 30-day notice to customers.	At Cost
3. Authority to recover administrative and legal fees from delinquent accounts.	At Cost

USER FEES – SEWER

1. Residential	\$ 39.00
2. Commercial	\$ 39.00 min. for 10,500 gallons \$ 1.50 per 1,000 gal excess usage (Sewage flow is determined by using SCDHEC wastewater unit load allocation)

TAP FEES – SEWER

Residential	\$ 500.00*
Trailer Park	\$ 250.00/pad*
Commercial: Water supplied through 1" – 1½" meter	\$ 850.00*

*No change to previously approved rates

There are three additional changes to the rates that are currently approved by the PSCSC. The changes are:

1. Administrative set-up fee for new customers	\$25.00
2. Pass through rate increases from FIPSD after a 60-day notice to PSCSC and 30-day to customers.	At Cost
3. Authority to recover administrative and legal fees from delinquent accounts.	At Cost

APPENDIX G
HARBOR ISLAND UTILITIES, INC.
PERFORMANCE BOND

The Performance Bond requirement has been met by a personal guarantee of Robert G. Gross, and the Office of Regulatory Staff has approved this guarantee.

APPENDIX H
HARBOR ISLAND UTILITIES, INC.
SERVICE AREA

The Service area for this utility is Harbor Island in Beaufort County. A copy of the original service area map and one extension are on file with the PSCSC.

APPENDIX I
HARBOR ISLAND UTILITIES, INC
S.C. DEPARTMENT OF HEALTH & ENVIRONMENTAL CONTROL
APPROVAL

Each phase of constructing the Utility's water and sewer systems has been approved by SCDHEC for both construction and then for operation. The system is operated in accordance within SCDHEC rules and regulations. The attached letter from SCDHEC confirms this statement.



Low Country District
Environmental Quality Control
104 Parker Drive
Baton, SC 29906
843-846-1030 Fax: 843-846-0804

Serving
Beaufort, Colleton,
Hampton and Jasper Counties

April 12, 2007

Mr. Robert G. Gross, P.E.
The Beaufort Group
P.O. Box 70042
Lady's Island, SC 29902-0001

RE: Harbor Island Water and Sewer

Dear Mr. Gross:

This is to confirm that the water and sewer systems serving Harbor Island in Beaufort County have been constructed and are being operated under the rules and regulations and approval of the South Carolina Department of Health and Environmental Control.

I understand that this letter is needed for your application to the South Carolina Public Service Commission for a rate increase. If I can be of any further assistance, please feel free to call me at 843-846-1030.

Sincerely,

Penny Cornett
Water Program Manager
Environmental Quality Control
Region 8 EQC

APPENDIX J
HARBOR ISLAND UTILITIES, INC
BILL FORM

Harbor Island Utilities P.O. Box 1028 Beaufort, SC 29901-1028 843-982-0405				FIRST-CLASS MAIL U.S. POSTAGE PAID PERMIT NO.	
TYPE OF SERVICE	METER NO.	METER NO.	METER NO.	METER NO.	METER NO.
Water	379230	373210	6020	37.79	
Sewage				27.50	

ACCOUNT # 451 02-23-07
 4 Mickleys Alley

Service From: 01-11 to 02-10

2	12	1	65.29
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Rate schedule available upon request, contact Office.

22 451	3-10-07
65.29	

Glynn R Gaulding
 4 Mickleys Alley
 Harbor Island SC 29920